



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS

USA DOMINATED BY TRUMP EFFECT, EMPLOYMENT RATE IN THE EUROZONE IMPROVES

The US Fed, the Bank of Japan as well as the Bank of England had meetings last week to decide on their respective monetary policies. Market consensus was for interest rates to remain where they were and markets were not surprised with the rates decisions. The UN Food and Agricultural Organisation's global food price index revealed that food prices increased by 16.4% y/y in January, mainly due to the price increases in grains and sugar and the reduced supply from some of the world's leading exporters. In the meanwhile, Fitch was the last of the major global ratings agencies to downgrade Turkey sovereign rating to below investment grade when they lowered Turkey's rating from BBB- to BB+ with a stable outlook.

US Core Personal Consumption Expenditure (PCE) index for December matched the November figure of 1.7% y/y. The PCE price index is the Fed's preferred measure of inflation and looks at consumer spending in the US excluding spending on food and energy. President Trump signed an executive order banning refugees and travellers from Iran, Iraq, Syria, Sudan, Libya, Yemen and Somalia from entering the US. He then fired his Attorney General Sally Yates for refusing to enforce his travel ban, which pushed the Dow Jones Industrial Average (DJIA) below 20 000. US non-farm payrolls increased 227k in January, up from 157k in December and above market expectations of 175k.

The unemployment rate in the Eurozone fell to 9.6% in December from 10.5% in November. The lowest unemployment rates were reported in Germany (3.9%) and the Czech Republic (5.2%) while Greece (23%) and Spain (18.6%) had the highest unemployment rates. Inflation in the Eurozone reached a four year high in January (1.8% y/y). This was above December's CPI (1.1% y/y) and it is likely that the ECB will now be under additional pressure as it is facing calls to end its quantitative easing program. In the UK, the Bank of England increased their growth forecast for 2017 to 2% from 1.4%. Governor Mark Carney said that he expects inflation to increase above the 2% target owing to a weaker pound and action will be taken if inflation rises significantly.

In the East, Japanese industrial production in December returned 3% y/y, from 4.6% in November. The Bank of Japan increased their 2017 growth forecast to 1.5%, above the previous forecast of 1.3%, and said the 10y bond yield is expected to remain at 0%. Markets were expecting a figure of 51.8pts for the Chinese Caixin manufacturing PMI for January but were disappointed with the actual reading of 51pts. This was below the 51.9pts of December.

The MSCI Emerging Markets index closed the week 0.32% higher, whilst the MSCI World index added 0.12%.

DOMESTIC MARKETS

ALL EYES ON STATE OF THE NATION ADDRESS

WEEKLYWRAP 03 February 2017

In economic news, South Africa's budget swung into a surplus of R 22.7bn in December 2016 from deficits of -R16.3bn and -R30.9bn in November and October. Revenue reported was R143.1bn in December versus expenditure of -R120.5bn.

The December balance of trade was thereafter released. Markets were anticipating a surplus of R6.3bn from the deficit of -R1.1bn the month before. In the event, the trade surplus of R12bn in December surprised on the upside. Exports dropped -6.1% m/m in December owing to lower exports of precious metals, machinery and vehicle. However, imports fell -19.6% m/m due to less electronic, chemical and base metal products being imported.

The Barclays manufacturing PMI for January returned 50.9pts, which is above the 50pt benchmark level indicating that manufacturing is in expansionary territory. Markets were surprised by this reading as they were expecting 47.5pts. The positive reading stemmed from sub-component increases in business activity, future expectation of business conditions and supplier performance.

The good news did not end there. January vehicle sales released by NAAMSA printed 3.7% y/y, which was the first increase in vehicle sales in fourteen months. Markets were expecting a -10.8% y/y fall in vehicle sales and were pleasantly surprised with the print. The largest increase in vehicle sales came from the sale of buses (+40% y/y), passenger vehicles (+4.7% y/y) and light commercial vehicles (+1.6% y/y).

This was followed by the release of the Standard Bank PMI for January of 51.3 pts, which was down from December (51.6 pts) but it was the fifth straight month of growth.

The JSE All Share index closed the week -1.34% down. The main detractors were the resources and the financial boards losing -3.0% and -2.1% respectively. Focus now moves to the State of the Nation speech on Thursday. If President Jacob Zuma gives any mention of a market unfavourable cabinet reshuffle, it could weaken the rand and increase government bond yields substantially.

TAX FREE INVESTMENTS & RETIREMENT ANNUITIES

REMINDER: As the 2017 tax year draws to a close on the 28 February 2017, there is still time to take advantage of the TAX FREE INVESTMENTS AND RETIREMENT ANNUITY CONTRIBUTIONS.

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WEEK AHEAD

WEEKLYWRAP 03 February 2017

SOUTH AFRICA

DATE	EVENT	PERIOD	SURVEY	PRIOR
02/07/17	Net Reserves	Jan		\$40.81b
02/07/17	SACCI Business Confidence	Jan		93.8
02/09/17	Mining Production YoY	Dec		-4.20%
02/09/17	Manufacturing Prod NSA YoY	Dec		1.90%

UNITED STATES

02/07/17	Trade Balance	Dec	-\$45.0b	-\$45.2b
02/09/17	Initial Jobless Claims	Jan		246k
02/10/17	U. of Mich. Sentiment	Feb	97.8	98.5

EURO AREA

02/06/17	Markit Eurozone Retail PMI	Jan		50.4
02/06/17	Sentix Investor Confidence	Feb	16.5	18.2

CHINA

02/10/17	Imports YoY	Jan	0.098	0.031
02/10/17	Exports YoY	Jan	0.032	-0.061
02/10/17	Trade Balance	Jan	\$48.20b	\$40.82b

JAPAN

02/07/17	Leading Index CI	Dec	105.5	102.8
02/07/17	Coincident Index	Dec	115.1	115
02/08/17	BoP Current Account Balance	Dec	¥1183.3b	¥1415.5b
02/09/17	Machine Orders YoY	Dec	0.045	0.104

COMMON ABBREVIATIONS USED FOR ECONOMIC INDICATOR TERMS

PPI	Producer price index (shows trends within the wholesale markets which feed through into inflation)
PMI	Purchasing managers index (indication of the economic health of the manufacturing sector)
GDP	Gross domestic product
ECB	European Central Bank
CI	Confidence Index
MoM	Month-on-month
YoY	Year-on-year
QoQ	Quarter-on-quarter
SA	Seasonally adjusted
NSA	Non-seasonally adjusted

WEEKLY TICKER

CURRENCIES

Description	Classification	Currency	Exchange	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	13.28	1.54%	2.28%	1.44%	3.43%
ZAR/Pound	ZAR/GBP	ZAR	16.57	2.02%	1.79%	2.28%	2.24%
ZAR/Euro	ZAR/EUR	ZAR	14.29	0.69%	0.67%	1.85%	1.16%
Dollar/Euro**	USD/EUR	USD	1.08	0.79%	-1.66%	-0.41%	2.25%
Yen/Dollar	YEN/USD	YEN	112.72	2.16%	2.38%	0.07%	3.76%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1222.66	2.44%	3.40%	0.99%	6.55%
Brent Crude Oil	ICE Brent Futures	USD	56.95	1.99%	-1.17%	2.46%	-0.94%
Platinum	Platinum Spot	USD	1006.60	1.95%	3.80%	1.17%	11.46%
Copper	LME 3 month Copper	USD	5772.00	-2.15%	3.44%	-3.66%	4.27%
Silver	Silver Spot	USD	17.56	2.17%	5.59%	0.02%	10.25%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1805.51	0.12%	2.70%	0.76%	3.22%
United States	S&P 500	USD	4396.95	0.16%	1.90%	0.85%	2.76%
Europe	Euro Stoxx 50	EUR	6436.35	-0.78%	-1.06%	1.42%	-0.33%
Britain	FTSE 100	GBP	5863.48	0.05%	0.02%	1.26%	0.68%
Germany	DAX	EUR	11651.49	-1.38%	0.58%	1.01%	1.48%
Japan	Nikkei 225	JPY	28979.50	-2.82%	#VALUE!	-0.34%	-0.71%
Emerging Markets	MSCI Emerging MKTS	USD	918.87	0.32%	5.81%	1.06%	6.59%

SOUTH AFRICAN EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Share	ISE All Share	ZAR	7215.14	-1.34%	3.05%	-0.99%	3.28%
Top 40	ISE Top 40	ZAR	6264.00	-1.58%	3.36%	-1.11%	3.51%
Shareholder Weighted	ISE SWIX	ZAR	18521.63	-0.86%	1.68%	-0.40%	2.16%
Small Companies	ISE Small Cap*	ZAR	63332.35	1.04%	3.13%	0.47%	2.90%
Resources	ISE Resource 20	ZAR	2100.34	-3.00%	7.16%	-2.89%	7.28%
Industrials	ISE Industrial 25	ZAR	12548.75	-0.73%	4.26%	-0.26%	4.12%
Financials	ISE Financial 15	ZAR	7626.26	-2.09%	-3.26%	-1.30%	-2.28%
SA Listed Property	ISE SA Listed Property	ZAR	2130.70	-0.26%	0.58%	-0.31%	1.31%
Preference Shares	ISE Pref Shares	ZAR	1934.29	0.75%	0.60%	0.57%	1.08%

SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	540.84	0.14%	1.67%	0.05%	1.41%
Inflation Linked Bonds	BESA CILI	ZAR	249.98	0.29%	1.72%	0.20%	1.77%
Cash	STEFI Composite*	ZAR	358.70	0.14%	0.61%	0.06%	0.14%

*Price Index (not Total Return)

** Negative indicates Euro weakness

This report was compiled in association with Counterpoint Asset Management. www.cpmam.co.za

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